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Brazil

Livestock and Products

Semi-Annual Livestock Report

2008

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Report Highlights:

Beef production is estimated to increase in 2008 by 2.5 percent, a lower rate than last year, while beef exports are expected to drop by 5 percent in volume, because of the new restrictions imposed by the European Union. However, strong domestic demand and exports to new markets likely will offset most of the export losses to the European Union. Post also projects pork production and exports to increase in 2008 because of firm export and domestic demand.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Brasilia [BR1]
[BR]

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Executive Summary

Post revised production and trade for Brazilian beef in 2008 to reflect new estimates made by trade sources. Beef production likely will continue to increase, but at a lower rate than last year, and it likely will be mostly driven by strong domestic demand. Beef exports are expected to drop in volume in 2008, because of new restrictions imposed by the European Union, although Brazilian exporters are redirecting their exports to new and diversified markets overseas. Post also projects pork production and exports to increase in 2008 because of firm export and domestic demand. In addition, higher hog prices have improved the profit margins of producers.

The outlook for the Brazilian economy also supports higher domestic demand for animal protein in 2008, as consumers' real income is expected to continue to increase in 2008, along with an economic growth near 5 percent, despite current world economic uncertainties. However, there are some concerns among economic analysts about higher consumer prices for animal proteins due to the impact of ethanol production on world feed prices, even though Brazil's 2007-08 corn and soybean crops are projected to break record levels. In addition, the Brazilian cattle cycle is beginning an upward price cycle due to the high levels of cow slaughter in recent years. This is also projected to impact packers' profitability and possibly retail beef prices in the next year.

Commodity Outlook, Cattle and Beef

Production

Post revised beef production in 2008 to increase by 2.5 percent, compared to a 5 percent increase in the previous year. This reflects our estimated drop in beef exports this year. However, domestic demand for beef remains firm due to higher consumer purchasing power, and it is expected to offset some of the drop in exports. In 2007, beef exports (including variety beef) accounted for nearly 17 percent of total domestic beef production, a slightly higher share than in 2006.

Trade

Post revised beef exports to decline around 5 percent in 2008 due to the impact of the current import restrictions from the European Union. However, Brazilian packers expect to mitigate some of the losses to the European Union by shifting some of the exports to the domestic market and by increasing exports to other major destinations. In 2008, packers will focus their market promotion in the Middle East, Indonesia, Morocco and China.

Post estimates an overall drop in beef exports to the European Union of 36 percent from last year's total volume exported to that market. Most of the decline (42 percent) will come from prime boneless beef (HTS 0202), since processed beef (HTS 1602) is expected to increase by 5 percent. Our estimate assumes that the current restrictions from the EU will maintain a short list of cattle farms for most of 2008.

Because of the European Union restrictions, the Brazilian Beef Packers Association estimates a monthly financial loss to Brazil of US\$ 50 million and a total dismissal of plant employees between 5,000 and 6,000 people.

Brazil: Beef Exports to the European Union, 2006-07, in Metric tons (PWE).

Country	2006 (MT)	2007 (MT)	% Change
UK	113,749	86,396	-24
Netherlands	61,064	62,907	3
Italy	58,851	61,722	5
Germany	22,724	23,481	3
Spain	12,311	9,743	-21
Sweden	8,450	9,459	12
France	9,090	9,310	2
Ireland	6,309	6,458	2
Portugal	5,359	5,235	-2
Other EU	106,881	20,645	-81
Total EU	404,788	295,356	-27

Includes: HTS: 0201; 0202; 0210; 1602

Review of 2007 beef exports.

Brazilian beef exports reached another record in 2007 despite partial import restrictions from some countries due the outbreak of FMD in October 2005. The total volume exported, including variety meats, increased by 5.2 percent in volume (1.586 million metric tons versus 1.507 million metric tons in 2006 – PWE equivalent). The total value exported increased by nearly 12 percent US\$ 4.353 million, versus US\$ 3.890 million in 2006, reflecting an increase of 7 percent in the average export price.

Despite some hurdles over animal health and certification issues, beef exports to Russia increased by 41 percent in 2007, and Russia remains as the most important market for Brazilian packers, followed by the European Union. In 2007, overall beef exports to the European Union dropped by 27 percent, mostly frozen boneless beef (less 51 percent), while exports of processed beef increased by 11 percent. Egypt remains as the third largest importer of Brazilian beef, despite a decline of 11 percent in the last year.

Note: Differences between export data reported by Brazilian trade sources and those used by Post are due to the use of different conversion factors. Brazilian sources use a 2.5 percent factor for conversion of processed beef into Carcass Weight Equivalent (CWE), while post uses 1.79. The same applies for boneless beef, as Post uses 1.42 as the conversion factor, while Brazilian trade sources use 1.36. In addition, and as per FAS reporting instructions, variety meats (beef offals), HTS 0206 are not included for reporting purposes in our PSD and Trade Matrix tables.

Commodity Outlook, Hogs and Pork**Production**

Post revised pork production to increase by 4 percent in 2008 due to continued higher export demand combined with firm domestic demand in view of the higher purchasing power of Brazilian consumers. Higher returns to hog producers are also contributing to higher production.

Trade

Pork exports are also expected to continue to increase in 2008 due to continued firm demand from the world market, including Russia. Our trade sources are focusing on new markets in Asia, such as China, and began to advocate for access to the United States market.

Review of 2007 pork exports:

Brazilian pork exports in 2007, including variety pork cuts, increased by 15 percent in volume (591,109 metric tons versus 514,392 metric tons - PWE in 2006) and 11 percent in value (US\$ 1.0 billion, versus US\$ 1.2 billion in 2005). The average export price increased by 18 percent over the previous year.

Russia remains as the main market for Brazilian pork exports, although Russia's market share of Brazilian pork imports declined from 52 to 48 percent. This is the third consecutive drop in Russia's import share of Brazilian pork. Hong Kong is the second largest Brazilian market for pork exports with 15 percent market share, up 25 percent from the previous year. Ukraine is the third largest market for Brazilian pork exports, with a 10 percent market share, about the same as the previous year. Angola and Albania are increasing potential markets for Brazilian pork.

Tables

PSD Animal Numbers, Cattle

PSD Table Country Brazil Commodity Animal Numbers, Cattle (1000 HEAD)(PERCENT)									
	2006	Revised		2007	Estimate		2008		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	MM/YYYY
Total Cattle Beg. Stks	173816	173816	173816	180300	180300	180300	187165	187077	(1000 HEAD)
Dairy Cows Beg. Stocks	34763	34763	34763	36021	36021	36021	37515	37515	(1000 HEAD)
Beef Cows Beg. Stocks	48668	48668	48668	50484	50429	50484	52520	52520	(1000 HEAD)
Production (Calf Crop)	51797	51797	51797	54450	54450	54450	57852	57852	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	2	1	2	0	0	0	0	0	(1000 HEAD)
Total Imports	2	1	2	0	0	0	0	0	(1000 HEAD)
Total Supply	225615	225614	225615	234750	234750	234750	245017	244929	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	246	245	246	350	280	438	400	490	(1000 HEAD)
Total Exports	246	245	246	350	280	438	400	490	(1000 HEAD)
Cow Slaughter	16587	16587	16587	16058	16773	16058	15360	14796	(1000 HEAD)
Calf Slaughter	900	900	900	600	700	600	500	500	(1000 HEAD)
Other Slaughter	23738	23738	23738	26407	24877	26407	28770	28700	(1000 HEAD)
Total Slaughter	41225	41225	41225	43065	42350	43065	44630	43996	(1000 HEAD)
Loss	3844	3844	3844	4170	4453	4170	4200	4200	(1000 HEAD)
Ending Inventories	180300	180300	180300	187165	187667	187077	195787	196243	(1000 HEAD)
Total Distribution	225615	225614	225615	234750	234750	234750	245017	244929	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	(1000 HEAD)

PSD Meat, Beef

PSD Table Country Brazil Commodity Meat, Beef and Veal (1000 HEAD)(1000 MT CWE)(PERCENT)(HEAD)(KG)									
	2006	Revised		2007	Estimate		2008		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	MM/YYYY
Slaughter (Reference)	41225	41225	41225	43065	42350	43065	44630	44630	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	(1000 MT CWE)
Production	9020	9020	9020	9470	9325	9470	9850	9710	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	28	33	28	25	30	31	25	35	(1000 MT CWE)
Total Imports	28	33	28	25	30	31	25	35	(1000 MT CWE)
Total Supply	9048	9053	9048	9495	9355	9501	9875	9745	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	2084	2109	2109	2400	2235	2215	2650	2095	(1000 MT CWE)
Total Exports	2084	2109	2109	2400	2235	2215	2650	2095	(1000 MT CWE)
Human Dom. Consumption	6964	6944	6939	7095	7120	7286	7225	7650	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	6964	6944	6939	7095	7120	7286	7225	7650	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Distribution	9048	9053	9048	9495	9355	9501	9875	9745	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	(1000 MT CWE)
CY Exp. to U.S.	113	113	113	125	125	118	124	124	(1000 MT CWE)

Import Trade Matrix, Beef, Jan-Dec 2006-2007

Import Trade Matrix**Country**

Brazil

Commodity

Meat, Beef and Veal

Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2006		2007
U.S.	0	U.S.	0
Others		Others	
Argentina	6739		7688
Paraguay	4263		4110
Uruguay	2956		9930
Total for Others	13958		21728
Others not Listed	6000		19
Grand Total	19958		21747

Export Trade Matrix, Beef, Jan-Dec 2006-2007

Export Trade Matrix**Country**

Brazil

Commodity

Meat, Beef and Veal

Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2006		2007
U.S.	63359	U.S.	65735
Others		Others	
Angola	10880		14938
Algeria	47439		51784
Chile	5758		6502
Egypt	201262		177803
European Union	404788		295356
Hong Kong	27795		42274
Iran	44985		61289
Israel	31288		31067
Lebanon	19945		19353
Phillippines	28922		36628
Russia	318327		448114
Saudi Arabia	40706		42540
Singapore	11772		12731
Ukraine	11814		4400
Venezuela	13538		46675
Total for Others	1219219		1291454
Others not Listed	148729		145757
Grand Total	1431307		1502946

PSD Animal Numbers, Swine

PSD Table Country Brazil Commodity Animal Numbers, Swine (1000 HEAD)(PERCENT)									
	2006	Revised		2007	Estimate		2008		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	MM/YYYY
Total Beginning Stocks	32938	32938	32938	33147	33147	33147	33877	33817	(1000 HEAD)
Sow Beginning Stocks	3030	3030	3030	3020	3040	3020	3020	3020	(1000 HEAD)
Production (Pig Crop)	33304	33304	33304	35530	34530	35530	36255	36255	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Supply	66242	66242	66242	68677	67677	68677	70132	70072	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	0	0	0	2	0	2	0	0	(1000 HEAD)
Total Exports	0	0	0	2	0	2	0	0	(1000 HEAD)
Sow Slaughter	195	195	195	150	180	150	150	150	(1000 HEAD)
Other Slaughter	31320	31320	31320	33050	32710	33110	34250	34367	(1000 HEAD)
Total Slaughter	31515	31515	31515	33200	32890	33260	34400	34517	(1000 HEAD)
Loss	1580	1580	1580	1598	1600	1598	1600	1600	(1000 HEAD)
Ending Inventories	33147	33147	33147	33877	33187	33817	34132	33955	(1000 HEAD)
Total Distribution	66242	66242	66242	68677	67677	68677	70132	70072	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	(1000 HEAD)

PSD Meat, Pork

PSD Table Country Brazil Commodity Meat, Swine (1000 HEAD)(1000 MT CWE)(PERCENT)									
	2006	Revised		2007	Estimate		2008		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	MM/YYYY
Slaughter (Reference)	31515	31515	31515	33200	32890	33260	34400	34517	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	(1000 MT CWE)
Production	2830	2830	2830	2980	2970	2990	3095	3110	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Supply	2830	2830	2830	2980	2970	2990	3095	3110	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	639	639	639	715	660	730	775	775	(1000 MT CWE)
Total Exports	639	639	639	715	660	730	775	775	(1000 MT CWE)
Human Dom. Consumption	2191	2191	2191	2265	2310	2260	2320	2335	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	2191	2191	2191	2265	2310	2260	2320	2335	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Distribution	2830	2830	2830	2980	2970	2990	3095	3110	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	(1000 MT CWE)

Export Trade Matrix, Pork, Jan-Dec 2006-2007

Export Trade Matrix

Country

Brazil

Commodity

Meat, Swine

Time Period

Jan-Dec

Units:

Metric

Tons

Exports for:

2006

2007

U.S.

0

U.S.

0

Others

Others

Albania	8998		13795
Angola	9014		15721
Argentina	16413		23340
European Union	6422		277
Georgia	5635		5291
Hong Kong	58410		86242
Moldova	20449		10222
Russia	256937		271752
Singapore	25244		31876
South Africa	57		481
UAE	4872		6395
Ukraine	50184		54747
Uruguay	7400		10423

Total for

Others

470035

530562

Others not

Listed

21247

31357

Grand Total

491282

561919